

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 62 – SB 1000

March 25, 2013

SUMMARY OF ORIGINAL BILL: Increases, from 0.5 percent of acquisition value to one-third of the total installed cost, the rate at which machinery and equipment used to produce energy in a “certified green-energy production facility”, as defined by Tenn. Code Ann. § 67-4-2004, is valued for purposes of property taxation. The provisions of the bill shall apply retroactively for tax year 2013.

FISCAL IMPACT OF ORIGINAL BILL:

Increase Local Revenue – Exceeds \$100,000

SUMMARY OF AMENDMENT (005125): Deletes and rewrites section 1 of the bill. Directs that the sound, intrinsic and immediate value of “green” energy source property should not initially exceed a percentage of total installed costs equal to the ratio of projected electricity output over a one-year period to the maximum capacity of the property; wind source property shall be valued at an initial rate of one-third of total installed costs; solar source property shall be valued at an initial rate of 12.5 percent of total installed costs; all other rates for “green” source energy property shall be set by the State Board of Equalization in consultation with the Department of Environment and Conservation.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Fiscal Impact – Local government property tax revenue collected from taxes assessed on solar energy facilities will increase; however the extent of any recurring increase is indeterminable. The property tax rate that will be established by the State Board of Equalization for other property types is unknown; as a result, the impact upon local government property tax revenue for these properties cannot be determined.

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 67-5-601(e), property which generates electricity using wind shall not exceed 33 percent of its total installed costs for valuation purposes. The bill as amended would not change this valuation.

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- Pursuant to Tenn. Code Ann. § 67-5-604(d), machinery and equipment used to produce electricity in certified green energy production facilities are valued at 0.5 percent of the acquisition value. This bill as amended will increase the rate at which these items located within a solar source property are taxed to 12.5 percent of total installed costs, which will result in a recurring increase in local property tax revenue.
- The provisions of the bill as amended require the State Board of Equalization to set the rate at which other “green” source property are assessed.
- According to TDEC, from 2011 to date there have been 367 applications filed and approved for “certified green-energy production” status across the state; all of which have been classified as solar powered facilities; however, it is unknown how many facilities currently operate in the state.
- According to the Comptroller of the Treasury, a record is not currently kept of the value of machinery and equipment for specific facilities; the value of the machinery and equipment is combined for the total amount of tangible property taxed.
- The fiscal impact of this bill as amended is dependent upon several unknown factors such as the number of qualified facilities currently operating within the state, the number of qualified facilities that will begin operations in the future, the total value of machinery and equipment utilized within any qualified facility, the differences between value assessed under current law relative to value assessed under the provisions of this bill. Given the extent of unknown factors, a precise estimate for increased property tax revenue for local governments cannot be determined.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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